NEW YORK BOARD OF TRADE®
World Financial Center
One North End Avenue
New York, New York 10282

BY ELECTRONIC TRANSMISSION

05-7
February 17, 2005

Ms. Jean A. Webb
Secretary of the Commission
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

2005 FEB 17 PM 3 30
RECEIVED C.F.T.C.

Re: **Amendments to Rules 4.22, 4.23 and 4.24 - Submission Pursuant to Section 5c(c)(1) of the Act and Regulation 40.6**

Dear Ms. Webb:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended, and Commission Regulation 40.6, the Board of Trade of the City of New York, Inc. ("Exchange") submits, by written certification, amendments to Rules 4.22, 4.23 and 4.24, attached as Exhibit A.

Rules 4.22, 4.23 and 4.24 are a compilation of the various rules on spread trading that were in the rule books of the Exchange's predecessors, CSCE and NYCE. A review of the spread trading practices in each of the futures and options rings revealed that the pricing regimen, under the current rules, for spreads trading at a differential are unnecessarily restrictive.

The most substantive change to Rule 4.22 eliminates the requirement that one leg of the spread must be at the market price prevailing at the time of the trade or within the daily range. If a person is trading the differential, 50 points for example, there is no economic difference if the prices are 800 and 850 or 700 and 750 irrespective of the daily range or the price trading at the time. Most customers would prefer the flexibility and convenience of being able to choose the prices of the legs. In addition, the elimination of the pricing provisions adds flexibility to trading spreads using the back months which do not trade frequently and limit the prices one may assign to the legs. The daily range pricing requirement, however, has been retained for the Financial Products, because interest rate differentials in the currency market, when they are applied to spreads, are effected by the specific price used in the spread. In the case of limit situations

(Cotton and FCOJ), the proposed amendment would require that at least one leg of a spread must be priced within the daily limit instead of both legs.

Conforming amendments to Rules 4.23 and 4.24 delete the language requiring that at least one part of the Combination be priced within the daily trading range, if such a range has been established for either of the commodity contracts in the Combination Transaction.

The Exchange certifies that the amendments comply with the requirements of the Commodity Exchange Act and the rules and regulations promulgated thereunder.

The amendments were adopted by the Exchange's Board of Governors on February 16, 2005. The amendments will become effective on a date set by the President after filing with the Commission.

Market participants in the Cocoa trade have expressed concern that a customer may be disadvantaged by the pricing requirements of the other side of the spread. It was requested that an additional provision be added which would require that, if either of the legs is priced outside the trading range, the price of each leg must be established with the mutual consents of the ultimate customers who put in the spread orders. This request was considered, but it was determined that to try and gain the mutual consents of the ultimate customers would be impracticable. Further, it was thought that this provision would serve no purpose because the customer always has the choice to specify the prices to be used when entering the order.

If you have any questions or need further information, please contact me at jfassler@nybot.com or 212-748-4084.

Sincerely,

Jill S. Fassler
Vice President
Associate General Counsel

cc: Riva Adriance
Thomas Leahy
CFTC, Division of Market Oversight
Allen Cooper
CFTC, New York Regional Office

(In the text of the amendment below, additions are underlined and deletions are bracketed and lined out.)

Rule 4.22. [~~Straddles~~] Spread Transactions

(a) Floor Brokers are permitted to execute Exchange Futures or Options Contract orders to purchase one (1) or more Exchange Futures Contract(s) and sell an[~~other~~] equal number of Exchange Futures Contract(s) in the same Commodity at a stated price difference ("Futures [~~Straddle~~] Spread") or to effect one (1) Exchange Options [~~Transaction~~] Contract in conjunction with [~~another~~] one or more other Exchange Options [~~Transaction~~] Contract(s) in the same Commodity [~~as set forth in paragraph (f) below~~] at a stated differential ("Options Spread"). Such Transactions must be for the same account, and Floor Brokers may not combine separate orders for the same or different accounts in order to execute a Futures [~~Straddle~~] or Options Spread. These orders are to be executed competitively by public open outcry in the ring with at least one (1) side of the Futures [~~Straddle or Options~~] Spread [~~at the market price prevailing at the time of the Trade~~] priced within its respective daily price limits.

(b) Notwithstanding the provisions of paragraph (a) of this Rule, with respect to [~~Cocoa~~] Futures [~~Straddles~~] and Options Spread[s] Transactions executed for any of the Financial Products, such Transactions may only be offered, bid for, traded in and reported [~~at prices for the respective months that are~~] with at least one side of the Spread Transaction priced within the [~~day's trading~~] daily range.

(c) [~~Notwithstanding the provisions of paragraph (a) of this Rule, with respect to Coffee "C", Ethanol, Sugar No. 11 and Sugar No. 14 Futures Straddles and Options Spreads:~~

~~(i) If there have been Trades in either or both months involved at the time such Transaction is consummated, such Transactions may only be offered, bid, or traded and reported at prices for the respective months with the price for at least one (1) of such months within the day's actual trading range for that month.~~

~~(ii) If there have not been Trades in either month involved at the time such Transaction is consummated, but there have been Trades in one (1) or more other months, prices for both months involved in such Transaction must be at a reasonable relationship to the trading ranges of the month or months which are traded that day.~~

~~(iii) If there have been no Trades in any month at the time such Transaction is consummated, prices for both months involved in such Transaction must be at a reasonable relationship to the bids and/or offers then current for at least one (1) of these months.~~

~~(d) Notwithstanding the provisions of paragraph (a) of this Rule, with respect to FCOJ Futures Straddles, if either or both months involved in such Transaction are limit up or limit down, then one (1) side of the Transaction must be executed at a price within the daily quotation range then existing and the other side must be executed at a price within the daily trading limits then prevailing under Rule 13.08.~~

~~(e)~~] It shall be the Floor Broker's responsibility to insure that Futures [~~Straddle~~] and Option Spread orders executed in accordance with this Rule be properly recorded in writing on the Floor Broker's trading card, permitting identification of these Transactions, and are posted and announced in such manner as the Exchange may direct.

[~~(f) For purposes of this Rule, Options Spreads are Options Transactions all sides of which are executed in conjunction with one another and that fit into one (1) or more of the following definitions or multiples thereof:~~

~~(i) *Vertical and Horizontal Options Spreads*: Short one (1) Call (Put) and long another Call (Put) with a different Strike Price and/or expiration month.~~

EXHIBIT A

~~(ii) *Options Straddles*: Short (long) Puts and Calls in a generally accepted spread ratio.~~

~~(iii) *Options Butterflies*: Two vertical spreads which share one (1) common Strike Price.~~

~~(iv) *Option Boxes*: Long a Call and short a Put at one (1) Strike Price and short a Call and long a Put at another Strike Price.~~

~~(v) *Option Ratio Spreads*: Long Calls (Puts) and short Calls (Puts) in a generally accepted spread ratio.~~

~~(vi) *Options Synthetic Futures*: Long Calls (Puts) and short Puts (Calls) in a generally accepted spread ratio.~~]

(d) Futures and Options Spread Transactions shall not set off any stop orders except for Futures or Options Spread stop orders.

([g]e) For the purposes of this Rule, the term "Inter-Exchange Transaction" means a Futures [~~Straddle~~] or Options Spread Transaction in which one (1) leg is executed on this Exchange and the remaining leg is simultaneously executed on any other exchange. Inter-Exchange Transactions are permitted provided that:

(i) the Floor Broker has current trading privileges on both exchanges; and

(ii) the Inter-Exchange Transaction is of a class and quantity authorized by the Exchange.

[~~(h) Nothing contained herein shall prohibit any Futures Straddle or Option Spread Transaction effected pursuant to Rule 803 of the Clearing Organization from being priced in accordance with such Rule.~~]

([~~i~~]f) Nothing in this Rule shall be construed to prevent the execution of Futures [~~Straddles~~] or Options Spreads by individual Transactions.

Rule 4.23. Combination Transactions

* * *

(e) [~~If a daily trading range has been established for any Commodity Contract in the Combination Transaction, at least one (1) Commodity Contract of the Combination Transaction must be priced within such range.~~] Prices of Combination Transactions shall not establish daily trading ranges for any Commodity Contract in the Combination Transaction. The Exchange Futures Contract in a Combination Transaction must be priced within its respective daily price limits. Notwithstanding the provisions of this paragraph (e), with respect to Combination Transactions executed for any of the Financial Products, if a daily range has been established for any of the contracts comprising the Combination Transaction, at least one (1) contract comprising such Transaction must be priced within the daily range.

[REMAINDER OF RULE UNCHANGED]

Rule 4.24 FCOJ Combination Transactions

* * *

(d) [~~If a daily range has been established for any Commodity Contract in the Combination Transaction, at least one (1) Commodity Contract of the Combination Transaction must be priced within such range.~~] Prices of FCOJ Combination Transactions shall not establish daily trading ranges for any Commodity Contract in the Combination Transaction. The Exchange Futures Contract in a FCOJ Combination Transaction must be priced within its respective daily price limits.

[REMAINDER OF RULE UNCHANGED]